

Message Text

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FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 388

INFO AMEMBASSY BANGKOK

AMCONSUL HONG KONG

AMEMBASSY MANILA

AMEMBASSY OTTAWA

AMEMBASSY TAIPEI

AMEMBASSY TEL AVIV

C O N F I D E N T I A L SECTION 1 OF 4 SEOUL 2939

DEPT. ATTENTION EA/EP

E.O. 11652: GDS

TAGS: EEWT, VM

SUBJECT: ACTIVITIES OF THE EISENBERG GROUP IN THE ROK

REF: (A) STATE 069174; (B) HONG KONG 11221

1. THE FOLLOWING PARAGRAPHS PROVIDE AN OBJECTIVE SAMPLING OF THE EMBASSY'S KNOWLEDGE OF THE ACTIVITIES OF THE VARIOUS TRADING AND INVESTMENT FIRMS ASSOCIATED WITH SAUL N. EISENBERG IN THE REPUBLIC OF KOREA (ROK) OVER THE PERIOD 1953--1978. THE INFORMATION WAS DRAWN FROM VARIOUS MEMORANDA OF CONVERSATION, OFFICIAL CABLE AND AIRGRAM TRAFFIC AND COUNTRY TEAM SOFT FILES. IN COMPILING THIS OVERVIEW OF EISENBERG'S ACTIVITIES, WE HAVE FOCUSED MORE ON THE MODUS OPERANDI EMPLOYED THAN THE SPECIFIC SUCCESSES HE AND HIS GROUP HAVE ACHIEVED.

2. SAUL (OR SHOUL) NEHIEMIS EISENBERG WAS APPARENTLY BORN IN MUNICH, GERMANY, OF POLISH PARENTS ON 22 SEPTEMBER 1922 OR 1921.

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IN HIS DEALINGS WITH ROK OFFICIALS, EISENBERG HAS USUALLY IDENTIFIED HIMSELF AS AN ISRAELI CITIZEN BUT HAS IMPLIED THAT HE ALSO ENJOYS U.S. CITIZENSHIP OR U.S. ALIEN RESIDENT STATUS. WHILE LITTLE OF HIS EARLY LIFE IS KNOWN TO EMBASSY SEOUL, IT APPEARS THAT EISENBERG CAME TO THE ROK FROM JAPAN WHERE EISENBERG, WITH HIS FATHER, ESTABLISHED A TRADING AND/OR LOAN BUSINESS SUBSEQUENT TO JAPAN'S SURRENDER IN 1945. PRIOR TO 1945, EISEN-

BERG IS BELIEVED TO HAVE RESIDED IN CHINA. EISENBERG APPARENTLY MAINTAINED OFFICES OF EISENBERG AND COMPANY, INC., IN BOTH TOKYO AND SEOUL DURING THE PERIOD OF THE EARLY 1950'S WHILE BROADENING HIS EXPORT-IMPORT AND CAPITAL EQUIPMENT LOAN ACTIVITIES IN EUROPE, SOUTH AMERICA, AND SOUTHEAST ASIA. AT SOME POINT EISENBERG BECAME THE HONORARY ISRAELI CONSUL IN PERU AND HE HAS CALIMED LOCALLY TO HAVE EXTENSIVE BUSINESS DEALINGS IN LIMA, PERU, SINCE AT LEAST 1965.

3. THE EISENBERG COMPANY LTD., WITH ALLEGED INTERNATIONAL HEADQUARTERS IN NEW YORK CITY, REGISTERED ITS KOREA BRANCH IN SEOUL, ROK, IN AUGUST 1953 SHORTLY AFTER THE ROK GOVERNMENT TRANSFERRED FROM ITS TEMPORARY CAPITOL IN PUSAN TO SEOUL. AT THAT TIME THE EISENBERG FIRM CLAIMED TO BE UNDER THE TECHNICAL DIRECTION OF THE LISBONA COMPANY OF LONDON, UNITED KINGDOM, AND IN REGISTERING AS A TRADING FIRM IN THE ROK, THE EISENBERG FIRM CLAIMED TO BE PRINCIPALLY INVOLVED IN IRON ORE SALES FROM INDIA AND AUSTRALIA TO JAPANESE STEEL FIRMS. DURING THIS EARLY PERIOD OF CONTROL OF THE ROK BY THE LIBERAL PARTY OF PRESIDENT YI SUNG-MAN, THE EISENBERG FIRM SERVED AS AN OFFER AGENT FOR SEVERAL WEST EUROPEAN AND U.S. MANUFACTURING FIRMS AND SUCCEEDED IN ESTABLISHING A CLOSE RELATIONSHIP WITH ROKG BUREAUCRATS RESPONSIBLE FOR PROCUREMENT. WHILE THE FIRM WAS REASONABLY SUCCESSFUL AS A COMMISSION OFFER AGENT, EISENBERG'S CONTINUED FOCUS ON LARGE CAPITAL EQUIPMENT SALES, COMPLETE WITH LOAN PACKAGE COMMITMENTS, DID NOT BEAR FRUIT UNTIL THE ADVENT OF

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THE PAK CHONG-HUI GOVERNMENT OF 1962 WITH ITS EMPHASIS ON ACCELERATED ECONOMIC DEVELOPMENT.

4. AS OF 1974, THE EISENBERG ORGANIZATION OPERATED TWO FIRMS IN THE ROK, EISENBERG AND CO., INC., AND INDUSTRIAL TRADING CORPORATION, BOTH OF WHICH WERE LOCATED IN THE CORPORATE OFFICE BUILDING OF THE ROK PRIVATELY-OWNED BUSINESS CONGLOMERATE, SSANGYONG GROUP. A LISTING OF EISENBERG OWNED OR AFFILIATED BUSINESS ENTITIES AS OF EARLY 1975 IS AS FOLLOWS:

A) UNITED DEVELOPMENT INCORPORATED, SHALOM MAYER TOWER, 9 AHAD HAAM STREET, 29TH FLOOR, P.O. BOX 2084, TEL-AVIV, ISRAEL, TEL: 52455, TELEX: 033511, CABLE: PANCONSUL TEL-AVIV.

B) EISENBERG EXPORT CO. LTD., SHALOM MAYER TOWER, 8 AHAD HAAM STREET, 29TH FLOOR, P.O. BOX 2084, TEL-AVIV, ISRAEL, TEL: 52455, TELEX: 033511, CABLE: PANCONSUL TEL-AVIV.

C) BARGAD TRADING CO. LTD., SHALOM MAYER TOWER, 9 AHAD HAAM STREET, 29TH FLOOR, P.O. BOX 2084, TEL-AVIV, ISRAEL, TEL: 52455, TELEX: 033511, CABLE: PANCONSUL TEL-AVIV.

D) A. LISBONA LTD., ROCHADALE HOUSE, 128 THEOBALDS ROAD, LONDON
WCIX 8RR, ENGLAND, TEL: 242-4054, TELEX: 21396/8, CABLE: ANOBSIL
LONDON.

E) EISENBERG & CO., U.S.A. AGENCY INC., FOUR EAST 39TH STREET,
NEW YORK, NEW YORK 10016, U.S.A. TEL: (212) MU 5-6210,
TELEX: (RCA) 224700, (ITT) 421910, CABLE: GREBNESIE NEW YORK.

F) SIPCO A.A.R.L., 7, PLACE SAINT-AUGUSTIN, PARIS 8 EME,
FRANCE, TEL: 387 27-46 / 387 47-64, TELEX: 65.733,CABLE:
SIPCOMEX PARIS.

G) EISENBERG & CO., INC., P.O. BOX KWANGHWAMUN 237, SSANGYONG
BLDG. 15-16 FLOORS, 24, 2-KA ZUH-DONG, CHOONG-KU, SEOUL, KOREA,
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TEL: 26-7191/8, TELEX: EISENCO 2733S, CABLE: EISENBERG SEOUL.

H) INDUSTRIAL TRADING CORPORATION, I.P.O. BOX 1904, SSANGYONG
BLDG, ROOM 1606/8, 24, 2-KA ZUH-DONG, CHOONG-KU, SEOUL, KOREA,
TEL: 26-7331/2, TELEX: EISENCO 2733S, CABLE: SEBER SEOUL.

I) EISENBERG & CO., INC., CENTRAL P.O. BOX 323, CENTRAL BUILDING,
2 KYOBASHI 1-CHOME, CHUO-KU, TOKYO, JAPAN, TEL: 03-271-7731/5,
TELEX: J22213 EISENBRG, CABLE: EISENBERG TOKYO.

J) EISENBERG & CO., INC., EISENBERG BUILDING, 48-4 KYOBASHI
2-CHOME, HIGASHI-KU, OSAKA CITY, JAPAN, TEL: 06-941-0131/3,
TELEX: J63803 EISEN, CABLE: EISENBERG OSAKA.

() EISENBERG & CO., (HONG KONG) LTD., ST. GEORGE'S BLDG.,
7TH FLOOR, 2 ICE HOUSE STREET, HONG KONG, TEL: 223128/9,

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223120, TELEX: HX 3273 EISENCO, CABLE: EISENBERG HONG KONG.

L) U.D.I. (HONG KONG) LTD., ST. GEORGE'S BLDG., 7TH FLOOR,
2, ICE HOUSE STREET, HONG KONG, TEL: 230594-240511, TELEX:
HX3273 EISENCO, CABLE: UDILIMITED HONGKONG.

M) EISENBERG GROUP OF COMPANIES, TAIWAN LIAISON OFFICE, 1203
CHIA HSIN BUILDING, 96 CHUNG SHAN N. RD., SEC. 2, P.O. BOX
12082, TAIPEI, TAIWAN, REPUBLIC OF CHINA, TEL: 579106/8,
555211 (EXT. 556/8), TELEX: TP 267, TAIPEI, CABLE: EISENBERG
TAIPEI.

N) U.D.I. LIMITD (PHILIPPINE BRANCH), 5TH FLOOR, BANK OF P.I.
BLDG., AYALA AVENUE, P.O. BOX 858 MCC, MAKATI, RIZAL, D-708,
PHILIPPINES, TEL: 88-09-42/44, 88-22-66, TELEX: EISENBERG
PN 3552 (VIA EASTERN EXTENSION) 7222215 EGC PH (VIA RCA),
CABLE: EISENBERG MANILA.

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O) EISENBERG GROUP OF COMPANIES, BANGKOK LIAISON OFFICE,
404 KASEMKIJ BLDG., 120 SILOM ROAD, BANGKOK, THAILAND, TEL:
38991 EXT 43, 37830 (TO BE USED FOR OVERSEAS CALLS), TELEX:
222, CABLE: EISENBERG BANGKOK.

P) U.D.I. (MALAYSIA) SDN. BHD., C/O CHARTERED BANK BLDG.,
7TH FL., 2, JALAN AMPANG, JUALA LUMPUR, MALAYSIA, TEL: 27322-4,
TELEX: KLTX 313, CABLE: UDILT KUALA LUMPUR.

Q) DR. C.A. MEHTA, RAMPART HOUSE, 6TH FLOOR, RAMPART ROW,
BOMBAY 1, INDIA, TEL: 253475, TELEX: HCARTERED BANK, 0112230
CHARTBK,- JEEVANYOT CHEMICALS, 0112082 JYOTI, CABLE:
KIRANSAN, BOMBAY.

R) LISBONA IM - & EXPRT GMBH, 2-8 MEISENGASSE, 6 FRANKFURT
A/M, WESTERN GERMANY, TEL: 292083/5, TELEX: 413488, CABLE:
LISBONA FRANKFURTHAIN.

S) EISENBERG GROUP OF COMPANIES, TEHRAN LIAISON OFFICE, TAVAKOK BLDG., 3RD FLOOR, 167 SHAH AVENUE, TEHRAN,-IRAN, TEL: 666563, TELEX: PARKHOTEL 2466 -2459, CABLE: EISENBERG 167 SHAH AVE., TEHRAN.

T) U.D.I. LIMITED, 15, DJALAN SINGAMANGARADJA, KEBAJORAN BARU, P.O. BOX 2092, DJAKARTA, INDONESIA, TEL: 74912, 73048, TELEX: (011) 4388, (UDILT DKT 4388), CABLE: UDILIMITED DJAKARTA.

U) EISENBERG GROUP OF COMPANIES, FLORIDA 142, 4 H, BUENOS AIRES, ARGENTINA, TEL: 46-8119 AND 46-8129, TELEX: 12145-SUTECO/ROTHSCHILD, CABLE: EISENBERG BUENOS AIRES.

V) EISENBERG & COMPANY, P.O. BOX 47197, NAIROBI, KENYA, TEL: 34060, CABLE: EISENBERG NAIROBI.
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W) EISENBERG (ETHIOPIA) PRIVATE LIMITED COMPANY, P.O. BOX 5595, ADDIS ABABA, ETHIOPIA, TEL: 20847, TELEX: 21195, CABLE: EISENBERG ADDISABABA.

X) DR. WALTER SVOBODA, REPRESENTATIVE OF THE EISENBERG GROUP OF COMPANIES, ELISABETHSTRASSE 4/V/3, A-1010 VIENNA, AUSTRIA, TEL: 573292, TLEX: 1117 VIENNA LYVIE (UNTIL FURTHER NOTICE C/O EL AL), CABLE: INDEVELOP VIENNA.

Y) UNITED DEVELOPMENT INCORPORATED, 213 TU DO STREET, 1ST FLOOR, SAIGON, VIETNAM, TEL: 93704/8, CABLE: CARAVELOTEL.

5. OVER THE PERIOD 1961-1974 EISENBERG AND HIS LOCAL ORGANIZATION WERE QUITE VOCAL IF REPETITIVE IN THEIR CRITICISM OF THE PATTERN OF U.S. GOVERNMENT ASSISTANCE TO THE ROK. EISENBERG CHARACTERIZED THE U.S. ECONOMIC POLICY TOWARD THE ROK TO ANY KOREAN OR, FOR THAT MATTER, AMERICAN, WHO WAS WILLING TO LISTEN, AS HORT-SIGHTED AND COUNTERPRODUCTIVE. THE THRUST OF THE EISENBERG SELF-PROMOTION CAMPAIGN WAS THAT THE U.S. GOVERNMENT SYSTEMATICALLY RETARDED KOREAN ECONOMIC DEVELOPMENT BY FOCUSING ON THE CONTROL OF INFLATION AND BASIC INFRASTRUCTURE PROJECTS RATHER THAN PROMOTING AN EXTENSIVE INDUSTRIAL PROGRAM WHICH HE CLAIMED WOULD SPUR BROADER GROWTH AND PROVIDE THE ROK WITH FULL EMPLOYMENT. EISENBERG ACKNOWLEDGED THAT LARGE CAPITAL LOANS FOR PLANT CONSTRUCTION WOULD PROBABLY BRING INFLATION AND LARGE BUDGET DEFICITS AND DRIVE UP THE DEBT SERVICE RATIO BUT HE EXPLAINED THAT THIS WAS A NECESSARY IF NOT DESIRABLE SITUATION FOR ANY DEVELOPING ECONOMY. HE CHARGED THAT CONSERVATIVE U.S. GOVERNMENT POLICIES DISCOURAGED THE INDUSTRIAL PROJECTS (PETROCHEMICAL, ETC.) WHICH WOULD ALLOW THE KOREANS TO REDUCE THEIR DEPENDENCE ON EXPENSIVE FOREIGN-SOURCED

CHEMICAL AND INDUSTRIAL MATERIALS. THE EISENBERG LINE STRESSED THE REQUIREMENT TO MOVE AWAY FROM U.S. EQUIPMENT SOURCES, INCLUDING PROJECTS SUPPORTED AT LOWER FINANCING COSTS BY U.S. PUBLIC FUNDING, AND INTO A GREATER DEPENDENCE ON WEST
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EUROPEAN PLANTS AND EQUIPMENT WHICH, THOUGH THEY MIGHT COME AT HIGHER COSTS, WOULD NOT INCLUDE FOREIGN GOVERNMENT GUIDANCE AND LOCAL SUPERVISION. EISENBERG WAS NOT ABOVE IMPLYING THAT THE U.S. GOVERNMENT SYSTEMATICALLY EXPLOITED THE KOREAN ECONOMY BY LIMITING OVERALL INDUSTRIAL EXPANSION AND RESERVING THE FEW APPROVED INDUSTRIAL PROJECTS FOR U.S. EQUIPMENT. HE CLAIMED THAT U.S. CONCERNS OVER ROK FOREIGN INDEBTEDNESS WERE MISPLACED AND THUS TRIED TO DISCREDIT THE JOINT U.S. AND ROK SUCCESS IN LIMITING INFLATION.

6. EISENBERG'S STRONGEST CONTENTION - THAT THE U.S. EXERCISED A POLITICAL AND ECONOMIC STRANGLEHOLD ON ROK ECONOMIC PLANNERS TO THE DETRIMENT OF KOREA AS WELL AS HIS OWN EUROPEAN MANUFACTURERS - FOUND FAVOR WITH MANY KOREANS AND ALLOWED EISENBERG IN THE LATE 1950'S TO DEVELOP STRONG FINANCIAL RELATIONSHIPS WITH KEY ROK ECONOMIC AND POLITICAL POLICY MAKERS WHO LATER CAME TO DOMINATE THE POST 1961 MILITARY JUNTA DECISION-MAKING PROCESS. IN THE 1961-1966 PERIOD EISENBERG SUCCEEDED IN DRAMATICALLY EXPANDING HIS ACTIVITIES AND WAS ABLE TO MOVE FORWARD WITH SEVERAL LARGE INDUSTRIAL PROJECTS. HE RELIED PRINCIPALLY ON HIS LONG AND CLOSE ASSOCIATION WITH THE THEN DEPUTY PRIME MINISTER (MINISTER FOR ECONOMIC PLANNING) CHANG KI-YONG AND THROUGH CHANG'S GOOD OFFICES WAS ABLE TO STRIKE VALUABLE RELATIONSHIPS WITH SSANGYONG BUSINESS GROUP CHAIRMAN KIM SONG-KUN AND PAK CHONG-HUI CONFIDANT YI HU-RAK. CHANG, YI AND KIM WERE THE CENTRAL OVERS AND MANAGERS OF THE DEMOCRATIC REPUBLICAN

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C O R R E C T E D C O P Y (TEXT)

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PARTY (DRP) FINANCIAL COMMITTEE AND, IN ADDITION TO THEIR MANDATE TO ORGANIZE ALL POLITICAL FUNDING FOR THE DRP AND THE INCUMBENT ADMINISTRATION, THIS POWERFUL GROUP FOUND ITSELF IN DAY-TO-DAY CONTROL OF THE GOVERNMENT'S ECONOMIC MACHINERY AND INDUSTRIAL DEVELOPMENT. EISENBERG WAS IN A POSITION TO OFFER THE GOVERNMENT AND ITS POLITICAL AND FINANCIAL MANAGERS LARGE CAPITAL EQUIPMENT PROJECTS TAILORED TO DESIGNATED ROK PRIVATE BUSINESS INTERESTS. THE CENTRAL THEME OF THE EISENBERG APPROACH WAS TO EXPRESS SYMPATHY WITH THE ROK GOVERNMENT'S REQUIREMENT FOR LARGE CAPITAL LOANS WHILE ACKNOWLEDGING THE UNAVAILABILITY OF THESE FUNDS FROM NORMAL COMMERCIAL SOURCES. EISENBERG STRESSED THE REQUIREMENT FOR PRIVATELY-ORGANIZED LOANS WHICH THE ROK GOVERNMENT COULD INDEPENDENTLY ADMINISTER AND NOTED THAT THE ATTENDANT AUTONOMY OF ACTION ALLOWED THE GOVERNMENT TO ALLOCATE THE FUNDS AS IT (AND THE DRP FINANCE COMMITTEE) CHOSE IN SELECTING THE RECI-
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PIENT PRIVATE INDUSTRY FIRM.

7. THE COMMISSIONS ON THE EISENBERG CAPITAL EQUIPMENT SALES TENDED TO BE EXCESSIVE BY ANY YARDSTICK AND OFTEN THE EUROPEAN EQUIPMENT SUPPLIER WAS PRESENTED THE CHOICE OF EITHER PROVIDING REASONABLE QUALITY EQUIPMENT TO THE KOREANS AT A NET LOSS OR INSTALLING SUB-STANDARD EQUIPMENT IN ORDER TO ASSURE THE MANUFACTURER A PROFIT ON THE SALE. DURING THIS PERIOD EISENBERG SUCCESSFULLY PROMOTED MAJOR LOANS FOR DOZENS OF POWER GENERATION, STEEL MANUFACTURING, AUTO AND TRUCK ASSEMBLY, CEMENT AND PETROCHEMICAL MANUFACTURING, RAILROAD EXPANSION, SHIPBUILDING, MINING AND INDUSTRIAL MACHINERY PROJECTS. BY 1965 EISENBERG'S SEOUL OFFICE WAS PROMOTING A LOAN PROGRAM WHICH INVOLVED NO FEWER THAN 30 SEPARATE LOANS FROM WEST GERMAN, FRENCH, ITALIAN AND AUSTRIAN SOURCES WITH A TOTAL VALUE OF EXCESS OF \$500 MILLION. THE EISENBERG 1965 PACKAGE WAS APPARENTLY BRIEFED DIRECTLY TO PRESIDENT PAK WITH THE ENDORSEMENT OF ECONOMIC

PLANNING MINISTER CHANG, BLUE HOUSE POLITICAL AFFAIRS SECRETARY MIN CHUNG-SIK, PRESIDENTIAL SECRETARY YI HU-RAK AND OTHER INTERESTED BUREAUCRATS. WHILE ONLY A FEW OF THE PROPOSED PROJECTS WERE APPROVED IN THAT YEAR, A PATTERN OF REGULAR EISENBERG INVOLVEMENT IN SEVERAL CAPITAL EQUIPMENT PROGRAMS EACH YEAR WAS ESTABLISHED WHICH WAS NOT ALTERED UNTIL THE EARLY 1970'S. EISENBERG LOANS INCLUDED THE ILL-FATED INCHON IRON AND STEEL CO EQUIPMENT PROGRAM WHICH WAS APPROVED BY THE ROK GOVERNMENT IN 1965 FOR \$9.2 MILLION. THE INSTALLED WEST GERMAN EQUIPMENT WAS FOUND, SUBSEQUENT TO A 1966 EXPLOSION WHICH KILLED SEVERAL WORKERS, TO INCLUDE AS MAJOR COMPONENTS SECOND-HAND FACILITIES ORIGINALLY MANUFACTURED BETWEEN 1935 AND 1940. IN THE SAME YEAR, A \$4.5 MILLION FERTILIZER PLANT LOAN AND A \$2.2 MILLION MINE EQUIPMENT LOAN FROM ITALIAN SOURCES WAS APPROVED. THIS SAME YEAR ALSO SAW EISENBERG COMPLETE A \$12.5 MILLION DEAL FOR THE PROVISION OF A "COMPLETE CONFIDENTIAL

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AUTOMOBILE/TRUCK MANUFACTURING PLANT" INVOLVING THE ITALIAN FIAT FIRM AND ASIA MOTORS OF THE ROK. THIS PARTICULAR PROJECT APPARENTLY INCLUDED FRENCH AS WELL AS ITALIAN FINANCING AND REPORTEDLY INVOLVED A COMMISSION TO EISENBERG OF \$3 - \$6 MILLION, A MAJOR PORTION OF WHICH WAS REPORTEDLY DONATED TO THE DRP FINANCE COMMITTEE. EISENBERG INVESTED SOME OF HIS PROFITS IN THIS UNDERTAKING AND AS OF 1972 APPARENTLY STILL OWNED, ON PAPER, 12 PERCENT OF THE FIRM. THE AUTO MANUFACTURING COMPANY WAS ACTUALLY A KNOCK-DOWN ASSEMBLY OPERATION WHICH INCLUDED VERY LITTLE CAPITAL EQUIPMENT. ASIA MOTORS FINALLY DECLARED ITSELF INSOVLENT IN 1975 AND WAS TAKEN OVER BY THE ROK GOVERNMENT. THE PRIME MOVERS IN THE ASIA MOTORS/FIAT VENTURE WER MIN CHUNG-SIK, ASIA MOTORS PRESIDENT YI MUN-HWAN AND EPB MINISTER CHANG. THE EISENBERG-YI MUN-HWAN RELATIONSHIP APPARENTLY PREDATED THE ASIA MOTORS VENTURE AS EISENBERG IS KNOWN TO HAVE ARRANGED AFERTILIZER PLANT LOAN FOR YI IN THE LATE 1950'S.

8. THE PATTERN OF EUROPEAN CAPITAL EQUIPMENT LOANS AS ARRANGED BY EISENBERG WAS CHARACTERIZED BY THEIR LOW EQUIPMENT QUALITY, RELATIVELY HIGH EQUIPMENT AND FINANCING COSTS AND THE WELL-OILED RELATIONSHIP AMONG EISENBERG'S SUPPLIERS, THE ROKG BUREAUCRACY AND THE SELECTED ROK PRIVATE INDUSTRY CONCERNS WHICH BENEFITTED FROM EISENBERG'S INTEREST IN THE ROK. PERHAPS THE MOST UNFORTUNATE BENEFACITOR OF EISENBERG'S ACTIVITIES IS THE GOVERNMENT-OWNED NATIONAL ELECTRICAL UTILITY, KOREA ELECTRIC COMPANY (KECO). THIS FIRM WAS THE RECIPIENT OF TEN OR MORE EISENBEG ARRANGED THERMAL POWER PLANTS OVER THE PERIOD 1965-1975 WHICH WERE UNIFORMLY OVERPRICED AND MEDIOCRE IN QUALITY. THE PLANTS, PRINCIPALLY FRENCH AND GERMAN IN ORIGIN, CHRONICALLY SUFFER FROM LOWER THAN CONTRACTED POWER OUTPUT AND COLLECTIVELY HAVE ONE OF THE WORST ON-LINE RECORDS OF ANY

COLLECTION OF POWER PLANTS ANYWHERE IN THE WORLD. THE EXCEPTIONALLY POOR QUALITY OF THESE PLANTS HAS BEEN THE SUBJECT OF LOCAL PRESS COMMENTARY AND WITHIN THE ROK BUSINESS COMMUNITY AND GOVERNMENT BUREAUCRACY THE KECO EXPERIENCE WITH EISENBERG
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IS CONSIDERED TO BE THE MOST FLAGRANT EXAMPLE OF CORRUPTION'S FRUITS. SINCE ROUGHLY 1970 WEST EUROPEAN POWER PLANT SUPPLIERS APPEAR TO HAVE SHIED AWAY FROM THE EMPLOYMENT OF EISENBERG AS THEIR ACKNOWLEDGED OR COVERT COMMISSION AGENT. WHILE THIS DISASSOCIATION MAY BE DUE IN PART TO EISENBERG'S DECLINING POPULARITY AND HEIGHTENED PROFILE, THE MAJOR REASON FOR EISENBERG'S REDUCED USEFULNESS IS THE STRENGTH OF THE ROK ECONOMY TO INCLUDE ITS ABILITY TO SECURE PRIVATE SOURCE CAPITAL FINANCING AND THE DECLINING REQUIREMENT FOR "HIGH COST, HIGH RISK" LOANS AS ARRANGED BY EISENBERG AND COMPANY.

9. RECENT EMBASSY EXPERIENCES WITH EISENBERG TEND TO CONFIRM THIS TREND OF REDUCED LOCAL ACCEPTABILITY AND INVOLVEMENT BUT HAVE DRIVEN HOME TO US THE FACT THAT EISENBERG IS EVER THE OPPORTUNIST, CAPABLE OF REACTIVATING OLD RELATIONSHIPS AND APPLYING PRESSURE FOR CLIENTS NOT NECESSARILY COMMITTED TO FULL-DISCLOSURE MARKETING TECHNIQUES. IN 1974-1975 EISENBERG REPRESENTED A FRENCH FIRM, L'AIR LIQUIDE, IN ITS BID TO SELL ITS

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LIQUID OXYGEN TECHNOLOGY AND ENTER INTO A LOCAL JOINT VENTURE. A US FIRM WITH EQUIVALENT TECHNOLOGY WAS ALSO IN THE RUNNING AND ENCOUNTERED NUMEROUS (EVEN BY KOREAN STANDARDS) BUREAUCRATIC DELAYS IN PROCESSING ITS JOINT VENTURE PROGRAM. THE EISENBERG ORGANIZATION PULLED OUT ALL THE STOPS WITHIN THE ECONOMIC PLANNING BOARD AND PAID A PERSONAL CALL ON THE EMBASSY ECONOMIC STAFF TO INFORM US THAT THEY HAD BROUGHT A US FIRM INTO THE EISENBERG-FRENCH PROPOSAL TO EFFECTIVELY PRECLUDE ANY FURTHER EMBASSY ASSISTANCE TO THE ORIGINAL US FIRM'S JOINT VENTURE. IN THE EVENT INVESTMENTS BY BOTH THE US FIRM AND THE EISENBERG SPONSORED FRENCH INTEREST WERE APPROVED. IN THE SAME PERIOD, EISENBERG OPERATED AS A COMMISSIONED OFFER AGENT FOR ATOMIC ENERGY OF CANADA LIMITED (AECL) IN THE SALE OF THE \$1 BILLION CANADA NUCLEAR POWER REACTOR TO KECO. THIS PROJECT WAS ORGANIZED IN 1973-1976 AND RESULTED IN A CONTRACT SIGNED IN JANUARY 1976 BETWEEN AECL AND THE THEN KECO PRESIDENT, MIN CHUNG-SIK. IN 1976-1977 THE OVERALL COST OF THIS PROJECT WAS CRITICIZED IN THE ROK
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NATIONAL ASSEMBLY AND IN CANADA A STATE COMMISSION INVESTIGATION REPORTED A \$14 MILLION COMMISSION PAID TO EISENBERG'S ISRAELI OFFICE ON THE PROJECT. EISENBERG APPARENTLY ALSO REPRESENTED AECL AS COMMISSIONED MIDDLE MAN IN THE SALE OF A CANADIAN REACTOR TO ARGENTINA IN 1974 AND THE COMBINATION OF EISENBERG'S QUESTIONABLE INVOLVEMENT IN THESE PROGRAMS RESULTED IN A WHOLESALE SHAKEUP IN THE AECL LEADERSHIP IN 1977.

10. OTHER EISENBERG MARKETING ACTIVITIES OVER THE YEARS HAVE INCLUDED THE ATTEMPTED SALE TO KOREAN AIR LINES OF BAC-111 AIRCRAFT (1965-1967), PLANT EQUIPMENT SUPPLIED TO HONAM FERTILIZER COMPANY, KOREA NATIONAL RAILROAD ELECTRIFICATION PROGRAMS, EQUIPMENT LOANS TO VARIOUS ROK SHIPBUILDERS, CEMENT PLANT LOANS, AND RESORT INDUSTRY EQUIPMENT LOANS TO INCLUDE HYDROFOIL FERRYBOATS AND ENTERTAINMENT FACILITIES. WHILE WE HAVE NO COMPREHENSIVE LISTING OF ALL OF EISENBERG'S PROJECTS, WE SUSPECT THAT ANY DEFINITIVE COMPILATION WOULD RUN INTO SEVERAL SCORE INDIVIDUAL LOANS TOTALLING HUNDREDS OF MILLIONS OF DOLLARS IN VALUE WITH DIRECT COMMISSIONS TO THE EISENBERG ORGANIZATION RUNNING TO MANY MILLIONS OF DOLLARS. EISENBERG'S INVESTMENTS IN THE ROK HAVE, HOWEVER, BEEN FEW AND HIGHLY SELECTIVE; THE SSANGYONG GROUP OF THE LATE KIM SONG-KUN WAS HIS MAJOR EQUITY PARTNER. APART FROM THE ASIA MOTORS INVESTMENT NOTED ABOVE, EISENBERG REPORTEDLY INVESTED SOME US \$3.4 MILLION IN SSANGYONG CEMENT CO., LTD. IN 1968, ABOUT

\$300,000 IN HANLYO DEVELOPMENT CO. (CHUNGMU RESORT HOTEL) IN 1970 AND ABOUT \$150,000 IN THE TAIPYUNG SPECIAL FIBER CO. IN 1970. THE LATTER THREE INVESTMENTS WERE MADE IN THE NAME OF THE UNIVERSAL SUPPLY CO., INC. OF PANAMA WHILE THE ASIA MOTORS INVESTMENT OF \$750,000 FOR ONE QUARTER OF THE FIRM'S EQUITY IN 1968 WAS APPARENTLY MADE IN THE NAME OF EISENBERG AND CO. (USA). THE EISENBERG INVESTMENT IN THE SSANGYONG CEMENT CO (ORIGINALLY 18 PERCENT OF EQUITY) AND ITS OWNERSHIP
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OF TWO FLOORS OF SSANGYONG BUILDING HAVE MADE THE SSANGYONG ORGANIZATION A CONTACT POINT FOR ONGOING EISENBERG MARKETING ACTIVITIES. AS EISENBERG'S INFLUENCE DECLINED IN THE ROK IN THE EARLY 1970'S, THE SSANGYONG GROUP ATTEMPTED TO DISASSOCIATE ITSELF FROM EISENBERG AND WHILE IT WAS APPARENTLY ABLE TO REDUCE EISENBERG'S SHARE OF SSANGYONG CEMENT OWNERSHIP, IT HAS BEEN UNSUCCESSFUL IN ATTEMPTING TO BUY BACK TWO FLOORS OF ITS OWN CORPORATE HEADQUARTERS BUILDING. THE PRESENCE OF THE EISENBERG OFFICES IN THE GROUP'S OFFICE BUILDING IS NOW EMBARRASSMENT JUST AS THE CLOSE ASSOCIATION OF THE GROUP'S LATE PATRIARCH WITH EISENBERG IN THE 1960'S IS A SUBJECT NOT OPEN TO DISCUSSION BY THE GROUP'S SECOND GENERATION LEADERSHIP.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INTELLIGENCE COLLECTION, EAST WEST TRADE, BUSINESS FIRMS, FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978SEOUL02939
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780155-0357
Format: TEL
From: SEOUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780470/aaaachet.tel
Line Count: 575
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: bcad61b2-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 11
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 STATE 69174, 78 HONG KONG 11221
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 24 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3008225
Secure: OPEN
Status: NATIVE
Subject: ACTIVITIES OF THE EISENBERG GROUP IN THE ROK
TAGS: EEWT, BBAK, VM, (EISENBERG, SAUL N)
To: STATE
Type: TE
vdkgvwkey: odbs://SAS/SAS.dbo.SAS_Docs/bcad61b2-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014